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THE MODERN CHALLENGES OF FISCAL AND MONETARY POLICY IN THE REPUBLIC OF ARMENIA

The article deals with the issues on fiscal and monetary policies and the economic situation in the Republic of Armenia during the crisis and post-crisis period. The analysis shows that although there have been some signs of economic growth in Armenian economy in 2010-2013, however, the main macroeconomic indicators did not return to pre-crisis level and failed to provide long-term sustainable economic growth in the country. It is argued in the article that expansionary fiscal and monetary measures should be taken for sustainable economic growth. The main target of the fiscal policy should be the reduction of the tax burden, while financing the real sector of the economy and supporting a sustainable growth of the economy should be the primary objective of the monetary policy.

JEL: O23; F41; F43

Keywords: anti-crisis measures, fiscal and monetary policy, global financial crisis, economic growth, macroeconomic indicators, tax burden.

The history of the development of economic relations shows that economic ups and downs reoccur in any type of socio-economic system, regardless of the nature and character of regulation. Consequently, it can be argued that the activity of the socio-economic system is a cyclical process. As for the economic crisis, the latter is the unstable state of socio-economic system which emerges as a result of the irresistible influence of disorganizing and synergistic factors in the social or economic integrity, not prevented by balancing factors (Golysheva, 2012). World experience shows that the self-regulating market mechanisms are unable to effectively overcome the financial crisis. The review of the available international experience in overcoming the crises, elucidates that the State plays the main role, which, as part of its macroeconomic policy, with the help of appropriate fiscal and monetary tools, influences the economic system, mitigating the negative effects of the crisis and restoring the economy.

The global financial crisis of 2007-2009 in its depth, coverage and impact on the world economy is considered unprecedented first crisis of the post-war years, which revealed the internal structural imbalances of the modern economic system. 2007 is considered as the onset of that crisis, when the Federal Reserve System of the USA had to interfere and grant liquidity to the bank system (Soros, 2009). The current global crisis stands out from the previous ones by its measures. It has affected the majority of the countries worldwide. In this respect, it has even surpassed the Great Depression of 1929-1933 (Eichengreen, Rourke, 2010). But at the same time it should be noted, that the government's response to economic recession was much more expeditious than in 1929 (Romer, 2009). The similarities between economic crises, including the Great Depression, makes it evident that

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economic policies have not fully taken into account the lessons taught. Partially this is explained by the economic theories which during the last three decades began to be attributed as fashionable (Stiglitz, 2010).

The openness of national economies and the globalization of capital markets contributed to the fact that in the shortest possible time any manifestation can rapidly spread financial instability in one country and around the world, and taking more and more complex forms, turn into a global financial and economic crisis.

It should be noted that the mechanism and the tools of the state regulation have undergone significant changes during the entire history of the development of economic relations. In earlier periods of market economy until the end of the 19th century, the role of governments in the economy was mainly limited to the definition of "the general rules of the game", without any serious intervention in economic processes. However, since the end of 19th century, directions and methods of state economic policy underwent significant changes which accounted for more frequent and complex manifestations of cycles and crises in the market economy. Among the objective conditions for the emergence of the latter the following can be mentioned:

- imperfection of self-regulation of the market economy,
- disparities in branch structure of the economy,
- peculiarities of the fixed capital flux,
- nature of the dynamics of the cost of capital (Sargsyan, 2012).

Depending on the depth of impact of the crisis observed in some countries, and the boundaries of its spread, the state anti-crisis policy is executed with certain characteristics, changing the forms, methods and tools. It is mainly based on one of two mutually exclusive concepts – the Keynesian concept and the "classical" economic theory. However, despite this, it is possible to develop generalized criteria for choosing fiscal and monetary instruments that can be applied in various countries within the frames of state anti-crisis policy. These include:

- stimulating aggregate demand;
- providing financial support for companies in difficult economic situation;
- social orientation of crisis management;
- orientation to the development of scientific, technical and human resources;
- ensuring the stability of financial market and financial organizations;
- ensuring the availability of credit resources;
- expanding the system of state guarantees;
- effective distribution and redistribution of public resources, etc. (Sargsyan, 2016).

The above mentioned measures should be carried out with both fiscal and monetary policies tools.

The Impacts of Crisis on the Economy of Armenia

The significant aggravation of global economic situation had a particularly adverse effect on countries with open economies, including Armenia, where the crisis

affected mainly the real sector of economy, the falling trends of which were recorded already in the last quarter of 2008. These were the secondary impacts of the financial crisis on the economy which included the following spheres of the Armenian economy:

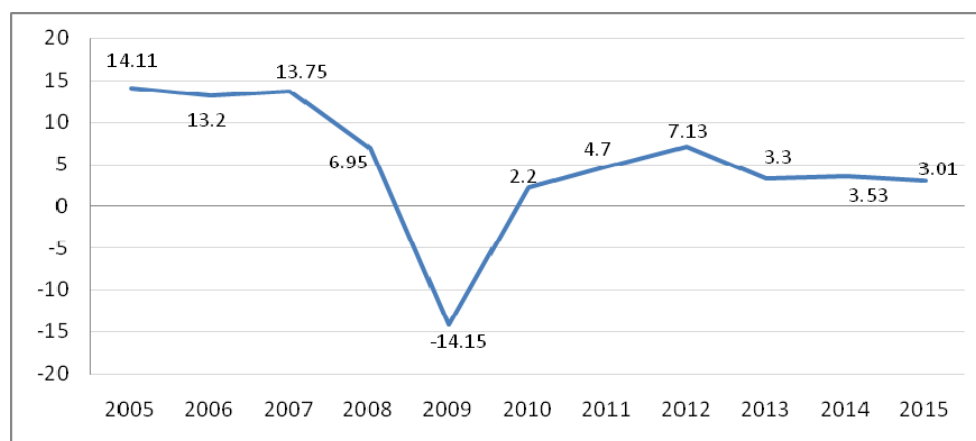
- significant reduction in remittances from abroad,
- lower prices of global market goods, particularly the fall of prices for metal and raw materials, also the decline in the demand of exported goods as a result of global downfall of aggregate demand in the global economy,
- the abrupt devaluation of Armenian currency.

The main reason for the relatively deep recession of the Armenian economy was due to the structural features of the economic growth pre-crisis period recorded since 2000. The growth in 2000-2008 was the result of non-tradable sector and, particularly, the unprecedented growth of the construction sector, which was also the result of the capital inflow surge and their concentration in the construction sector.

This is evidenced by the 10.5% point in the 14.1% decline recorded in 2009 which refers to the construction sector. However, it is important to note that despite the serious decline recorded in 2009, in the post-crisis period, due to a coordinated monetary and fiscal policies, it was possible to avoid the destabilization of macroeconomic conditions. In the following years, 2010-2013, certain signs of economic growth are recorded (Figure 1).

Figure 1

Real GDP growth rate (%) dynamics in 2005-2015



Source. International Monetary Fund, World Economic Outlook Database, April 2016.

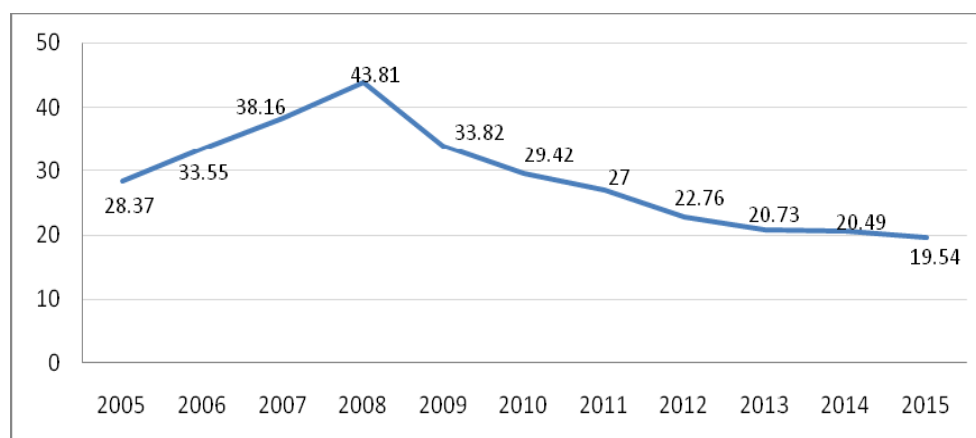
In 2009 Armenia's economy recorded an unprecedented decline of 14.15%, and later on, in 2010-2013, the economy recorded growth, at an average rate of 4.4% (Figure 1), which despite being modest, was qualitatively different from the pre-

crisis development phase and was characterized by a relatively higher diversification of the economic structure.

Conditioned by the high economic growth and large volumes of remittances from abroad, especially large was the volume of private investments in the pre-crisis period, including investments in the housing sector. As a result, in 2008 investments and national savings in GDP increased, amounting to 41% and 32% respectively. In the period of recession the share of investments declined sharply, mainly due to the decrease of private transfers, and national savings declined to a greater extent. Let us note that still in 2010-2015 investments continued to decline (Figure 2).

Figure 2

Dynamics of Investment/GDP ratio in 2005-2015



Source. International Monetary Fund, World Economic Outlook Database, April 2016.

As for unemployment rate in Armenia, it sharply increased since 2008, reaching up to 19% in 2010, exceeding by 10% the pre-crisis level, creating serious obstacles for the development of the economy.

The above mentioned characteristics reflected both in the developments of different sectors of Armenian economy, as well in the macroeconomic policy of the Government.

The Monetary Anti-Crisis Measures in RA

Armenia managed to withstand the first wave of the negative impact of the global financial crisis, first due to the effective financial control, resulting in the indicators of financial stability which have historically been at a high level; second, due to the absence of "hot money" in the financial sector. At the same time weak were the ties with those international financial markets which were the first to record the primary wave of the crisis (sub-prime markets). In particular, unlike developed countries,

Armenia's financial markets, banks and other financial organizations were not seized by panic, neither did the demand for liquidity increase.

The first signal of the expansionary monetary policy was in 2008 when the Central Bank lowered the repo rate from 7.75% to 7.00% (Central Bank of Armenia). But at the same time it should be noted that despite these factors, the commercial banks began to show a conservative and passive behavior, avoiding crediting the economy, which was mainly conditioned by the gradual decline and growth of risks. As a result, monetary aggregates demonstrated a downward trend since the fourth quarter of 2008.

To counteract this situation in May of 2009, the Central Bank of Armenia dramatically lowered the repo rate by 1% point, in the meanwhile enhancing the monetary instruments (Central Bank of Armenia). Moreover, in the context of the coordination of fiscal and monetary policy, Central Bank carried out a large-scale purchase of state securities to support the rapid expansion of the volume of their issue by the Government.

With the account of the economic developments in that period, which conditioned depreciation pressures on the exchange rate, by the end of 2008 the Central Bank was facing a difficult dilemma between the rate and the financial stability. Naturally, the financial stability was given the priority, however, until March 2009 the rate was kept fixed, so as to give opportunity to the participants of financial markets to clarify their positions and prepare for the ensuing depreciation. Otherwise, the financial crisis would have been inevitable.

It is natural that in case of the drastic reduction of gross demand, the expansionary monetary policy was not sufficient to promote significant amount of demand. In case of a decrease in demand in the economy on the one hand and an increase of risk on the other, the extremely cautious attitude in crediting on the part of banking system hampered the effectiveness of interest rate reduction impacts. Thus it was also necessary to implement expansionary fiscal policy.

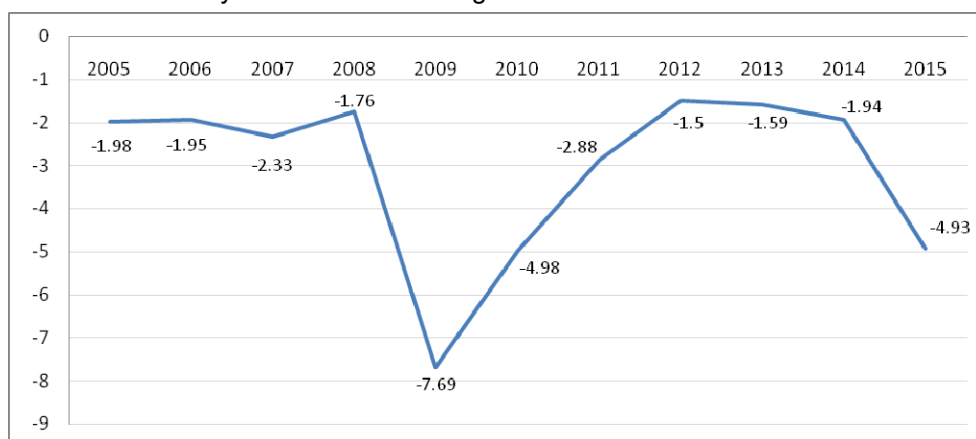
The Fiscal Anti-Crisis Measures in RA

It should be noted that the fiscal policy started to experience certain difficulties after the 4th quarter of 2008. In particular, it manifested as problems arising from tax collection, since as a result of the decline in economic activity, the rate of tax revenues slowed down.

After reviewing the results of tax revenues in early 2009 it became clear that the negative effects of the global economic crisis resulted in serious difficulties for tax collection. Stressing the importance of the policy of boosting economy, the government took to realize the substantial portion of state budgetary expenditure at the expense of increase of the state budget deficit. As a result, if for the beginning of 2009 the deficit was envisaged for 1% of GDP, later it amounted to 7.69%, which obviously aimed at the expansion of aggregate demand. In 2010-2012, this figure steadily decreased, reaching the level of 1.5%, though in the following few years gradually increased, reaching 4.93% in 2015 (Figure 3).

Figure 3

The Dynamics of State Budget Deficit to GDP in 2005-2015

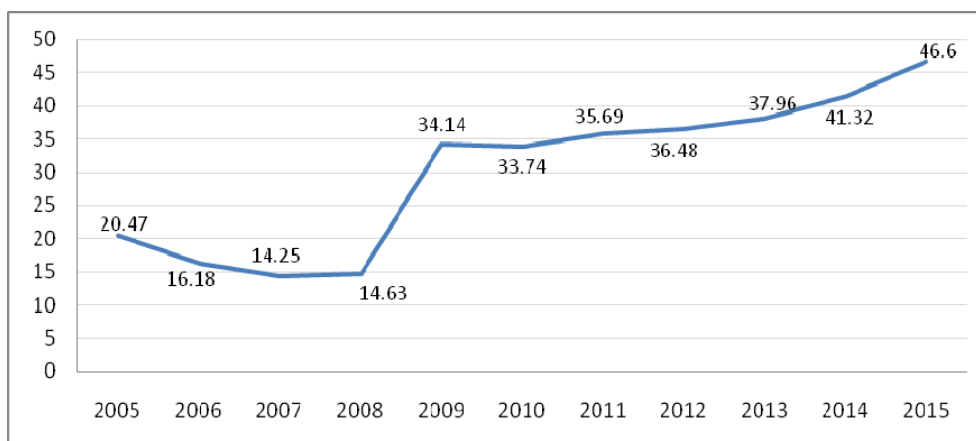


Source. International Monetary Fund, World Economic Outlook Database, April 2016.

As for the state debt, the latter, showing tendency to significant decline in the pre-crisis period, started to steadily increase in the post-crisis period (Figure 4).

Figure 4

Government Gross Debt to GDP in 2005-2015



Source. International Monetary Fund, World Economic Outlook Database, April 2016.

Fiscal measures mainly aimed at small and medium-sized businesses, ensuring access to credit for the population, financial support and infrastructure

development for large enterprises. Referring to qualitative assessment of the state anti-crisis measures, it should be stated that they were mainly tactical in order to eliminate the causes of the crisis. In this sense, they can be considered successful as they helped preventing the disintegration of the economy, mass bankruptcy, sharp deterioration of the social conditions of the population and providing positive dynamics of the main macroeconomic indicators as early as 2010.

Post-Crisis Economic Developments in the Republic of Armenia

In the post-crisis period, despite certain positive dynamics, the main macroeconomic indicators did not return to pre-crisis level, also it was impossible to ensure long-term sustainable economic growth in Armenia. In the post-crisis period, the growth rate of real GDP was the largest in 2011, later the rate slowed down in 2012-2015, amounting to 3.01% in 2015 (see the Table). A similar trend was observed in the rate of real growth in industry.

Table

The Dynamics of the Main Macroeconomic Indicators
(2007-2015, %)

Title	2007	2008	2009	2010	2011	2012	2013	2014	2015
Real GDP growth rate	13.75	6.95	-14.15	2.20	4.70	7.13	3.30	3.53	3.01
Industry real growth rate	11.26	7.43	-28.55	7.42	1.77	4.99	0.51	-2.25	2.53
Investment to GDP ratio	38.16	43.81	33.82	29.42	27.00	22.76	20.73	20.49	19.54
Government gross debt to GDP ratio	14.25	14.63	34.14	33.74	35.69	36.48	37.96	41.32	46.60
State budget deficit to GDP ratio	-2.33	-1.76	-7.69	-4.98	-2.88	-1.50	-1.59	-1.94	-4.93
The annual growth rate of final consumption expenditure of households	13.24	5.38	-4.38	3.85	2.89	9.10	0.90	0.50	-7.90
Inflation (CPI)	4.55	9.02	3.54	7.27	7.65	2.54	5.79	2.98	3.73
Unemployment rate	7	16.4	18.7	19	18.4	17.3	16.2	17.6	18.5

Source: International Monetary Fund, World Economic Outlook Database, April 2016; World Bank. World Development Indicators Online Database.

Although in 2015 a positive growth rate was recorded in the sector of industry, however, the latter was mainly conditioned by the growth of mining industry, electricity, gas, steam and good-quality air supply, while in the sector of the processing industry 4.0% decline was recorded (National Statistical Service of RA). From 2012-2015 the reduced values of "investment to GDP" ratio were conditioned by the negative growth rates of gross capital formation (-9.1% in 2013, -3.0% in 2014, in 2015, -1.2%) (National Statistical Service of RA). The unemployment rate has not decreased significantly after the crisis in the country, staying at the level of 18.5 percent in 2015.

The state debt ratio in the country has steadily increased in the post-crisis period, amounting to 46.6% in 2015.

On the Issues of Improvement of Fiscal and Monetary Policy in RA

Fiscal policy

In terms of the tools of fiscal policy in the period of crisis, it should be noted that in such situations it is possible to avoid a sharp decline in aggregate demand, or at least prevent it from excessive reduction by alleviating the tax burden. This step also contributes to stimulating investment, which is very important during the economic downturn. Currently, in order to strengthen the economy, stimulate demand, private consumption and investment it is essential to reduce the tax burden through tax reforms and at the same time broaden the tax base, which would make the tax system more efficient in Armenia.

The tax system of Armenia is characterized by a large share of indirect taxes, and the tax policy pursued is based on the fiscal function of taxes. After the establishment of the tax system a large part of tax revenues accounts for value added tax (VAT). Thus, in 2008 inflow in terms of VAT to the state budget amounted to 52% of total tax revenues. With regard to 2009, when the impact of the crisis was felt in all spheres of the Armenian economy, this indicator fell slightly, amounting to 49%, but with the excise tax and customs duties in the mentioned year it amounted to about 60% of total tax revenues. In the following years, this indicator tended to decrease, but remained at a fairly high level. So, in 2010 inflow in terms of VAT to the state budget amounted to 49.90%, in 2010 – to 51.5%, in 2012 -to 50.4%, in 2013 – to 41% of total tax revenues, in 2014 – to 43% and in 2015 to 41% of total tax revenues (Tax Service of RA).

Despite the perceived tendency to reduction, this figure is rather high. As we can see, the VAT is an important component of the formation of the state budget. However, it should be noted that besides the fiscal functions VAT performs a regulating function, which is actively used in many countries. VAT as an indirect form of tax is an important tool of state regulation of the economy, including the price of goods, VAT also plays a major role in formulating supply and demand, and directly affects the volume of production and, consequently, the socio-economic situation of the country.

Currently, in Armenia, one of the most important tasks associated with VAT is its high rate, which is applied by a standard method. At the present stage of economic development a reduction in the VAT rate could contribute significantly to the expansion of the total volume of production and reduction of prices for goods, which is especially important in times of crisis. In a series of anti-crisis fiscal measures it would be appropriate to apply reduced VAT rates for vital goods and services (as is done in many countries). Let us note also that in some countries, such as Lithuania, Croatia, Cyprus, Romania, Malta, Bulgaria, Estonia, the VAT reduction rate varies between 5-9% (VAT Rates Applied in the Member States of

the European Union, Situation at 1st January 2016). We believe that this kind of measures in our republic would contribute to an essential improvement of the social situation of the population and the reduction of social polarization. With regard to the reduction of budget revenues due to lower tax rates, it is possible to compensate by increasing the revenues from other taxes, as well as by reducing inefficient budget costs. In the condition of crisis, reduction of VAT rates and the use of reduced (discounted) rate can promote the economic growth, particularly the industrial sector in Armenia in the post-crisis period. This will be beneficial for industrial enterprises with high added value, which, due to the VAT reduction, would be able to direct the unused funds to technical upgrading and expansion of capital.

With regard to income tax, in this respect, application of various kinds of benefits can act as an anti-crisis measure, especially in view of boosting investments, financing scientific research, innovative work, supporting small businesses. These benefits can be achieved through the decrease in assessable income, lowering the tax rate, reducing the amount of tax, deferment of tax payment or even tax exemption. In order to facilitate the development of certain activities and revitalize certain sectors of the economy the applications of similar measures can provide a positive effect in overcoming the crisis.

Among the anti-crisis reforms in the sphere of income tax the application of accelerated amortization can be highlighted, due to which the estimated value of amortization exceeds the amount of economically justified amortization. In this way a certain part of the profit is exempted from taxation as a result of referring the amortization sum to the expenditure. In addition, it seems appropriate to formally approve the list of those assets in line of which amortization deductions will be allowed to be carried out rapidly, as well as methods and rules on the application of accelerated amortization for different types of assets.

One of the important areas of exemptions for income tax is the reduction from the taxable profit the part of which should be used to finance investments. Depending on the size of the investment, individual rates can be set, since as a matter of public policy, especially in times of crisis, it cannot be justified that dealing or not dealing with capital investment, organizations are almost in identical conditions with tax positions.

In a series of anti-crisis tax reforms there can also be highlighted the amendment in the regulations on carrying out advance payments of income tax. In the context of the crisis the organizations are in difficult financial position. In such a situation it is inappropriate to compel organizations to continue fulfilling obligations under the line of advance payments in the same form.

With regard to the collection of taxes from individual persons, in this case, taxes on incomes from citizens make the big part. Also, the latter play an important role in the issue of filling in the budget with taxes. Currently, the system of personal income taxation is mainly directed to taxation of wages. However, there are also other sources of income, which are either outside the tax field in general, or are excluded from taxable income, although they form part of the income of natural

persons (such as inheritance and gift taxes, income, generated as a result of transactions in the financial sector, as well as income received from registered offshore companies, cash receipts from abroad, not declared property). Thus, it turns out that the taxation of income of individuals does not have any general and uniform character, does not provide an effective redistribution in order to equalize incomes, thereby ignoring the principle of equity. Hence, this sphere is in need of serious reforms covering expansion of the tax base, improving taxation and its uniformity, generality and establishing the principle of fairness. Such questions become more evident and have negative impact particularly in crisis and post-crisis situations. Taking into account the socio-economic situation in the country, peculiarities of the tax system and the current crisis, reforms in taxation of income of individuals can be directed:

- to increase revenues by means of taxation of all sources of income of natural persons and transition to a progressive taxation system;
- to establish effective control over the income and expenses of natural persons;
- to ensure the principle of fairness in the taxation process, the introduction of progressive taxation and the use of tax incentives in order to reduce excessive disparities in incomes of population and their redistribution in favor of the vulnerable groups of society.

In summary, we note that the implementation of the mentioned fiscal measures will contribute considerably to the revitalization of the economy, promote investment and provide serious conditions for long-term sustainable economic growth in our country.

Monetary policy

In economically advanced countries, monetary policy acts as a flexible mechanism affecting the economic situation, which increases and complements fiscal policy. Monetary policy in comparison with the fiscal policy is more flexible and efficient, due to the weaker influence of the political factor, with a more rapid and expeditious decision-making process, and speedy achievements in this sphere.

It should be pointed out, that almost all countries in the fight against the global economic crisis turned to the application of such a macroeconomic tool, as the interest rate of refinancing. The vast majority of central banks, in order to stimulate lending to the real sector of the process, successively dropped the level of the base interest rate, as well as additional funds allocated in the direction of stimulating lending program, with a view to significantly reducing the interest rate of loans, especially for mortgages. In some countries the rate has reached almost zero: in Japan (up to 0.1%), the United States, Canada, Switzerland, Sweden (0.25%), the UK (0.5%). In mid-2009, Sweden was the first to set a negative interest rate in relation to deposits in commercial banks. Hungary, Iceland, Belarus, Russia, Brazil, Argentina, Indonesia were also among the countries that followed this step in the

period of the financial crisis in order to prevent massive capital outflow. However, these countries were forced to reduce the level of the base rate.

Certain countries (particularly in Eastern Europe, CIS countries), in order to increase the competitiveness of their products and promote exports, reduced the rate of the national currency against the US dollar and the Euro, although in the future the reverse process has been carried out in some countries - the strengthening of the national currency (Hungary, Poland). Bodies responsible for monetary regulation of Bulgaria, China, India, Brazil, and Kazakhstan announced about the reduction of reserve requirements. For example, reserve requirements in India were reduced from 5.5% to 5.0%. In Kazakhstan, the minimum reserve requirements related to internal liabilities decreased from 2.0 to 1.5% related to other liabilities - from 3.0% to 2.5%. In China, there has been a differentiation in interest rates: reserve requirements of five major domestic banks decreased from 16.0 to 15.5%, and other lending institutions – from 14.0 to 13.5% (Drobyshevskiy, Sinelnikov, Sorokin, Trunin, Hudko, 2010).

As for Armenia, with the awareness of the crisis effects on the part of Central Bank of Armenia, since December 2008, repo interest rate was gradually reduced, particularly in December it was reduced by 0.5 percentage points (from 7.75 to 7.25), and for a further 0.25 percentage point in the following two months. In March 2009, the Central Bank, immediately after the liberalization of the rate, dramatically increased the refinancing rate - by 1.0 percentage points, with a view to curb the possible negative impact of devaluation of exchange rates in the financial market. In 2008-2009, the main emphasis of monetary policy of the Central Bank aimed at combining problems to provide stability of prices and financial system. From December 2008 till January 2010 the Bank Board gradually lowered the refinancing rate as a whole for 2.75 percentage points - constituting 5.0% (Central Bank of RA).

The recent financial crisis clearly showed how vulnerable national economies are to the crisis signals arising from various financial risks. Governments and international financial institutions were actively involved in the development of new methods and directions of monetary policy. One of the main lessons learnt from the financial crisis was the fact that the self-regulation of the markets is not flawless, many of market deals are volatile and the relationship between numerous market indicators is nonlinear. This directly implies that unforeseen sudden and abrupt fluctuations in the financial market can from time to time damage the stability of the market. The latter is a mutual balance of the processes occurring in the market. In order to ensure this balance the state should act simultaneously on several market factors and ensure control over them within a certain time. As indicated above, many economic indicators in relation to each other are nonlinear and sometimes are in an inversely proportional relationship. For example, to control inflation the Central Bank executes the policy of "expensive money". Therefore, the real economy is deprived of opportunities to attract funds and the business expansion becomes unprofitable, and in many cases even unaffordable. As a result, economic growth is

slowing down and the capital outflows to countries with more favorable economic conditions. This in turn leads to a decrease in output and labor and to the fall of the living standards level. In a country with a growth of bank interest rates, for companies it is advantageous to attract funds from abroad. This will affect both the growth of a corporate external debt, and the deformation process of "income-savings - investment" and the macroeconomic balance, in general.

The central banks of many countries, including the Central Bank of Armenia, adopted inflation targeting as a primary method of post-crisis monetary policy, which was to lead to stabilization of prices, high rates of economic growth and rise of living standards. We should mention that besides inflation targeting, the exchange rate of national currency is generated purely by market mechanisms without any serious intervention by the Central Bank. In the context of an isolated and closed economy, inflation targeting could effectively contribute to economic growth.

However, the fact that the economies of modern states operate in the era of international integration, globalization and new world economic development processes, does not imply that the main task of the government should not be limited to mere controlling over inflation. Moreover, Armenia is mostly an importing country, the rise in prices for many types of goods depends on the prices in the international markets, which in turn leads to higher prices for all other types of goods. In no country can the National Bank curb this kind of inflation, because it is outside the field of monetary regulation. The state is able to simply mitigate inflation through fiscal policy, which suggests increasing expenditure by income indexing, various kinds of subsidies and enlivening other priority government programs. The above problem can be resolved only within the framework of close international economic cooperation through a mutually agreed program between international economic institutions and the governments of major developed countries.

But there still remains the question whether it is only devaluation of money or inflation that have a negative impact on the economy. Modern economic researchers suggest that the economy may be negatively affected by a rather low level of devaluation of money, especially at the stage of revival of economic life after a period of economic downturn. Thus, in some cases, in the condition of inflation of 10-15%, many countries recorded stable economic growth.

In our opinion under the present state of economic development the performance of the Central Bank should be revised. Apart from giving priority to ensuring price stability, measures should be taken to promote economic growth and encourage investments in the real economy. It is also very important for us to understand that for this purpose directions, tools, and methods of monetary policy should be updated. As indicated, monetary policy's priority objective should be the provision of economic growth, and to achieve this major objective, it is essential to highlight specific spheres of influence, define clear objectives for them, as well as set clear quantitative and qualitative indicators describing these objectives. Only after this kind of activities, one can define the tools of monetary policy for specified

areas. Stability of processes occurring in the market and the mutual balance in the respective areas can be provided on the basis of a much larger tool and flexible control mechanism over performance.

Moreover, an important feature of the commercial banks is that in terms of economic growth, they increase the supply of money, thereby leading to the devaluation of money at large; while in an economic downturn, when the economy needs a lot of money, on the contrary, they reduce or even suspend the supply of money, further deepening the recession. Based on the above-mentioned, we believe that the role of the Central Bank should be significantly increased in the regulation of credit policy of banks. Today, as we believe, a clear differentiation of bank interest rates according to specific spheres is a must, in particular, in view of encouraging investment in the real sector of the economy that can be achieved by providing credits at affordable rates. The Central Bank may provide targeted subsidized credits to commercial banks, aimed at financing the real economy or crediting by itself by selecting for this purpose the best business proposals by the tender procedure. The latter would also require corresponding amendments in the Law on the Central Bank. In order to overcome the economic crisis, we believe it will be a necessary step aimed at stimulating production, reducing unemployment and promoting economic competitiveness, thereby ensuring stable economic growth.

Conclusion

Summing up, it should be noted that the anti-crisis measures taken by the Government of RA were mainly tactical, aimed at eliminating the causes of crisis, while the main macroeconomic indicators did not return to the pre-crisis level and failed to ensure a long-term sustainable economic growth in the country. In order to ensure long-term economic growth it is necessary to carry out expansionary fiscal and monetary measures. At present the Government's main target for fiscal policy should be the reduction of the tax burden and stimulation of investments, while the monetary policy implemented by the Central Bank should aim at ensuring economic growth.

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